

Message Text

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PAGE 01 JIDDA 02443 020538Z
ACTION NEA-10

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FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 1587
THE WHITE HOUSE

C O N F I D E N T I A L JIDDA 2443

E.O. 11652: GDS
TAGS: PPDC, SA
SUBJECT: LETTER FROM PRESIDENT CARTER TO KING KHALID

REF: WHITE HOUSE 272143Z MAR 78

1. SINCE CROWN PRINCE IS FULLY OCCUPIED WITH VISITORS AND FOREIGN MINISTER IS IN CAIRO ATTENDING ARAB LEAGUE FOREIGN MINISTERS CONFERENCE, CHARGE AND POL COUN PRESENTED PRESIDENT'S LETTER TO KING KHALID TO DEPUTY FOREIGN MINISTER FOR ECONOMIC AFFAIRS ABDULLAH ALIREZA ON MARCH 29 FOR DELIVERY TO KING.

2. ALIREZA READ LETTER AND ASKED HOW LONG DOLLAR WAS GOING TO DECLINE. CHARGE SAID WE HAD HOPES THAT DECLINE WAS ABOUT TO BOTTOM OUT. IN ANY EVENT, DECLINE IS MOSTLY AGAINST YEN AND MARK, AND IF SAUDI ARABIA BUYS GOODS AND SERVICES IN THE U.S., THERE IS NO DECLINE AT ALL. ALIREZA ACKNOWLEDGED THIS AND SAID HE UNDERSTOOD PROBLEM WITH MARK AND YEN WAS LOW RATE OF GROWTH IN GERMANY AND JAPAN AND THAT U.S. WAS NEGOTIATING WITH THOSE TWO COUNTRIES TO INCREASE THE RATE OF GROWTH. HE SAID THAT HE FURTHER UNDERSTOOD THAT U.S. WAS ATTEMPTING TO GET GERMANY TO INCREASE ITS GROWTH RATE TO 5 PER CENT AND JAPAN TO INCREASE ITS GROWTH RATE TO 7 PER CENT. HE DID NOT THINK IT WAS POSSIBLE FOR JAPAN TO REACH THIS FIGURE. HE ASKED HOW LONG IT WOULD
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 JIDDA 02443 020538Z

TAKE TO COMPLETE NEGOTIATIONS.

3. CHARGE SAID HE DID NOT KNOW HOW LONG IT WOULD TAKE, BUT USG BELIEVES THAT GERMANY AND JAPAN WILL INCREASE THEIR GROWTH RATE SOMEWHAT THIS YEAR AND NARROW THE DIFFERENTIAL WITH THE U.S. AT ANY RATE, AMERICAN ECONOMY IS SOUND AND AMERICAN GOODS ARE BECOMING INCREASINGLY COMPE-

TITIVE WITH GERMAN AND JAPANESE GOODS. ALIREZA SAID SAG BELIEVED IN BASIC STRENGTH OF DOLLAR AND RECOGNIZED PROBLEM AS SHORT TERM ONE. SAG WOULD LIKE TO KNOW HOW IT CAN HELP. CHARGE SAID BEST HELP SAUDI ARABIA COULD PROVIDE AT MOMENT WAS TO BUY FROM THE UNITED STATES.

4. ALIREZA THEN SAID THAT RECENT BOYCOTT LEGISLATION HAD BEEN DESIGNED TO MAKE IT MORE DIFFICULT FOR SAUDI ARABIA TO INCREASE ITS BUSINESS RELATIONS WITH U.S. COMPANIES. CHARGE SAID THAT, IN SOME CASES, THIS MAY HAVE BEEN THE EFFECT OF THE RECENT ANTI-BOYCOTT LEGISLATION BUT THAT CERTAINLY WAS NOT THE PURPOSE OF THE LEGISLATION. THE PURPOSE OF HE LEGISLATION WAS TO PREVENT AMERICAN COMPANIES FROM DISCRIMINATING AGAINST OTHER AMERICAN COMPANIES. ALIREZA COUNTERED BY SAYING THAT LEGISLATION MADE IT VIRTUALLY IMPOSSIBLE EVEN TO TALK TO AMERICAN COMPANIES ON THE SUBJECT, SINCE IT WAS NOT EVEN POSSIBLE TO INQUIRE ABOUT MATTERS RELATING TO BOYCOTT. HE NOTED THAT COURT DECISIONS WILL BE NECESSARY TO CLARIFY SOME ASPECTS OF THE ANTI-BOYCOTT LEGISLATION. CHARGE AGREED THAT COURT CASES WOULD LEAD TO CLARIFICATION BUT NOTED THAT THE RECENT REGULATIONS HAD REMOVED MUCH OF THE AMBIGUITY IN THE LAW. WILEY

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